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**via email**

August 14, 2003

Mr. Guy Bell, Director  
Department of Administration  
Division of Retirement and Benefits  
333 Willoughby Ave., 6<sup>th</sup> Floor  
Juneau, AK 99811

**Re: 2002 Actuarial Audit of TRS & PERS  
Individual Employer Calculations**

Dear Mr. Bell:

We agreed to review the calculations for individual PERS employers as part of the Actuarial Audit of PERS. We do not believe there is any reason to meet with you or the Board on these final issues, but we are always willing to discuss these issues with you on the phone or come to meet with you if that is your wish.

**Individual Employer Calculations**

We have reviewed the "Supplement to the Actuarial Valuation Report as of June 30, 2001" which includes the individual employer information. We compared the findings in this report with the results of the 2001 Actuarial Valuation of PERS and found them to be consistent. We relied on information provided by Mercer in a letter to us dated January 20, 2003, and a computer file received from the Department of Administration containing ledger asset information for each employer as of June 30, 2001. In addition, Mercer responded to our request for additional information dated July 31 with a letter dated August 4, 2003.

We did not test the calculations for every employer, but sampled the following:

State of Alaska (101)  
City of Wasilla (131)  
City of Nome (139)  
Municipality of Anchorage (173)  
Bartlett Regional Hospital (219)  
Petersburg City School District (228)

The employer contribution rates appear to be calculated in accordance with generally accepted actuarial standards and principles and are consistent in the aggregate with the information contained in the full actuarial valuation report.

We have the following comments:



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- ◆ There was an adjustment to the Anchorage assets to reflect an asset transfer from the Alaska Telephone Utility (269). This was not disclosed in the report.
- ◆ There were a number of very small discrepancies in the calculations that were explained as "rounding errors". We found no error in the sample that was greater than 1%.

### **GASB Disclosures**

The format of the GASB Schedule of Funding Progress is adequate and conforms to generally accepted actuarial principles and the parameters of GASB.

We have the following comments:

- ◆ It should be noted that Table 1.5 in the 2001 Supplement shows the Target UAAL used for funding as opposed to the UAAL calculated according to acceptable parameters of GASB appropriate for disclosures. It is our understanding that the Division is aware that Table 1.5 was presented incorrectly, and that revised UAAL and payroll amounts were provided in the 10-year history for each employer.
- ◆ No mention is made of the Annual Required Contribution (ARC) or the other required supporting information employers need to prepare a complete disclosure. Employers are either gathering the information on their own with the help of their accountants, or more likely, not providing a full disclosure.

### **Conclusion**

In our opinion, the calculation of the individual employer contribution rates and the GASB Schedule of Funding Progress provided to the employers are consistent with the methods and assumptions contained in the full actuarial valuation report. Additional supporting material is needed by employers to prepare a complete disclosure.

Sincerely,

Mark O. Johnson, F.S.A., M.A.A.A.  
Consulting Actuary

ars:l:031404

cc: Anselm Staack  
Kevin Worley  
James Jacobson